

SOCIAL
SECURITY
FOR EMPLOYEES
OF NONPROFIT
ORGANIZATIONS

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Before 1984, nonprofit religious, charitable, educational, and similar organizations were exempt from Social Security coverage unless they elected it. If an organization elected coverage, it could request termination of coverage after 8 years. Most organizations chose coverage; some did not. Of those that did, some later terminated. Under this system, when employees of nonprofit organizations moved between non-covered and covered work, gaps occurred in their Social Security protection. The law was changed to prevent those gaps from occurring.

Nonprofit organizations have been prohibited from terminating Social Security coverage since March 31, 1983. And, as of January 1, 1984, most nonprofit organization employees who are paid \$100 or more in a year are covered by Social Security. This includes employees of nonprofit organizations that never participated in Social Security, employees of nonprofit organizations that had terminated Social Security coverage, and employees who had declined Social Security coverage at the time their employer elected it.

Under a recent change in the law, a church or qualified church-controlled organization can elect exemption from Social Security taxes if it is opposed to paying them for religious reasons. But, the employees of a church or organization that chooses exemption are still covered by Social Security if they earn \$100 or more a year from the church or organization. They are treated as self-

employed persons, rather than employees, for Social Security purposes.

These changes in the law do not affect members of the clergy who are considered self-employed for Social Security purposes.

The advantages of Social Security

Social Security provides comprehensive insurance coverage against disability, death, retirement, and the cost of health care. It protects you *and* your family. Its benefits are inflation proof. And, it moves with you from job to job.

Social Security won't replace all earnings from work. It was never intended to. But it will provide a good, solid base of income that you can build on with a pension plan, other insurance, or savings.

A package of protection

Social Security is a package of protection—disability, survivors, retirement, and health insurance.

If you become severely disabled by a physical or mental condition and can't work for a year or longer, you can get monthly disability benefits. There's a 5-month waiting period, so your checks won't start until the 6th full month of disability. But, they'll continue as long as you remain severely disabled. Benefits also may be payable to your wife or husband and children while you're disabled.

If you should die, your surviving spouse and children can collect monthly

survivors benefits. Your widow or widower would get checks until the youngest child reaches 16.

Checks can go to your children until they're 18, or until they're 19 if they are full-time high school students. A child who's disabled before age 22 can get benefits as long as he or she remains disabled — even for life.

If there are no eligible children, your widow or widower can get benefits at age 60, or as early as age 50 if she or he is severely disabled.

When you retire, Social Security will provide you and your spouse with a steady monthly income. Full retirement benefits are payable at age 65. You can start getting retirement checks as early as age 62, but they'll be reduced to take account of the longer period of time you'll receive them.

Starting in 2000, the age at which full retirement benefits are payable will gradually increase until it reaches 67. This will affect people born in 1938 and later. Reduced benefits will still be payable at age 62, but the reduction will be greater than it is now.

Medicare hospital insurance and medical insurance can help pay your health care costs after you are 65 or while you are disabled.

Hospital insurance helps pay for inpatient hospital care, inpatient care in a skilled nursing facility after a hospital stay, home health care, and hospice care. Medical insurance helps pay for doctors' services, outpatient hospital services, home health visits, and a variety of

other health services and supplies that are not covered by hospital insurance.

How you earn protection

You earn Social Security protection through your covered work. Social Security work credit is measured in "quarters of coverage."

In 1985, you earn one quarter of coverage for each \$410 of your covered annual wages or self-employment income. No more than 4 quarters of coverage can be earned for any one year, regardless of your total earnings.

The amount of earnings needed for a quarter of coverage will automatically increase in the future to keep pace with average wages.

How much work credit you need for monthly benefits

The exact amount of work credit you'll need for you or your family to get benefits will depend on when you become disabled, die, or reach age 62.

If you become disabled before age 24, you need 6 quarters of coverage (1½ years of work) in the 3 years prior to your disability.

If you're disabled between 24 and 31, you need credit for half the time between your 21st birthday and the time you become disabled.

If you become disabled at 31 or older, you need 20 quarters of coverage out of the previous 40 quarters (5 years out of the past 10). You also need to be fully insured—that is, you need the same

number of quarters you'd need if you were age 62 in the year your disability begins.

If you become disabled before age 31, recover, and then become disabled again at 31 or older, you may not need 20 quarters of coverage to be eligible for benefits. But, you'll need credit for half the time between age 21 and the time you become disabled, excluding the period you were previously disabled.

If you're disabled by blindness, you do not have to meet the requirement of recent work. But, you need credit for $\frac{1}{4}$ year of work for each year since 1950 (or the year you reached 21 if later), up to the year you become blind. A minimum of $1\frac{1}{2}$ years of credit is needed.

For your family to get monthly survivors benefits, you need one quarter of coverage for each year after 1950, or after the year you reached 21 if later, up to the year of death. Under a special rule, your surviving dependent children and their mother or father can get survivors benefits if you worked under Social Security for $1\frac{1}{2}$ years in the 3 years prior to your death.

The following table shows how much credit is needed for retirement benefits.

Work credit for retirement benefits	
If you reach 62 in	Quarters of coverage you need
1982	31
1983	32
1984	33
1987	36
1991 or later	40

Under a special rule, you may be able to get retirement or survivors benefits with less work credit if you were 55 or older on January 1, 1984, when your organization was mandatorily covered by Social Security. The following table shows how many quarters you will need. The quarters must be earned after January 1, 1984.

Work credit for nonprofit organization employees 55 or older

Your age on January 1, 1984	Quarters of coverage you need to earn
55 or 56	20
57	16
58	12
59	8
60 or older	6

This special rule on work credits does *not* apply if you declined Social Security coverage when it was offered by your employer.

How you get Medicare

You'll have Medicare hospital insurance at age 65 if you've worked long enough in covered employment or are entitled to Social Security or railroad retirement benefits.

If you aren't eligible for hospital insurance at age 65, you can buy it. In 1985, the basic hospital insurance premium is \$174 a month. To buy hospital insurance, you also must enroll and pay the monthly premium for Medicare medical insurance.

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You'll have hospital insurance protection before age 65 if you're entitled to disability benefits for 24 months.

You are eligible for hospital insurance at any age if you need kidney dialysis or a transplant for permanent kidney failure and have worked long enough or are entitled to monthly benefits. Your spouse or dependent child may be eligible for hospital insurance if she or he has permanent kidney failure. But *only* the family member with permanent kidney failure is eligible.

You don't need any work credits to get Medicare medical insurance. Almost anyone who is 65 or who is eligible for hospital insurance can enroll for medical insurance. If you want medical insurance protection, you pay a monthly premium for it. In 1985, the basic premium is \$15.50 a month.

The amount of your monthly benefit

Although your eligibility for benefits depends on how much work credit you have, the amount of your monthly benefit is based on your covered earnings.

In figuring the benefit payable to you or your family, your actual earnings for past years are adjusted to take account of changes in average wages since 1951. These adjusted earnings are averaged together and a formula is applied to the average to get the benefit rate.

This method insures that benefits will reflect changes in wage levels over your

working lifetime. This is important because average wages in our economy can change greatly over a 30- or 40-year period.

Retired and disabled workers who become eligible after 1985 for a pension based in whole or in part on work not covered by Social Security will have their Social Security benefits figured under a different formula. The result will be a lower Social Security benefit to take account of their years of work outside of covered employment. This will apply to people who reach 62 or become disabled after 1985. It will not apply to nonprofit organization employees who were mandatorily covered in 1984, except those whose past nonprofit organization employment had been covered but was not covered on December 31, 1983. For more information, contact a Social Security office.

If you are eligible for benefits on more than one work record—for example, on your own record and on your spouse's—you will get an amount equal to the larger of the two benefits.

Cost-of-living increases

After you start getting Social Security checks, the amount of your benefit will increase automatically each January if the cost of living has risen 3 percent or more in the past year. Your benefit will increase by the same percentage as the cost of living.

If the balance in the Social Security trust funds is below a certain percentage, however, the annual benefit in-

crease will be based on the rise in average wages if it is lower than the rise in the cost of living.

Benefits may be taxable

Starting with 1984, up to one-half of your Social Security benefits may be subject to Federal income tax each year if your adjusted gross income for Federal tax purposes, your nontaxable interest income, and one-half of your benefits exceed a base amount.

The base amount is \$25,000 for an individual, \$32,000 for a couple filing jointly, and zero for a couple filing separately if they lived together any time during the year. The amount of benefits subject to tax will be the smaller of:

- o One-half the benefits, or
- o One-half the amount of combined income (adjusted gross income plus one-half of total benefits) in excess of the base amount.

Complete information can be found in Internal Revenue Service publications.

Bigger checks by additional work

If you return to work after you start getting retirement checks, your added earnings may result in higher benefits. Social Security will automatically refigure your benefit after the additional earnings are credited to your record.

Also, there is a special credit that can mean a larger benefit. The credit adds 3 percent to a worker's benefit for each year ($\frac{1}{4}$ of 1 percent for each month)

after age 65 that he or she did not get benefits because of work. The credit is 1 percent for each year ($1/12$ of 1 percent for each month) for workers who reached 65 before 1982. The worker's additional credit also increases payments to widows and widowers.

Starting for workers who reach 65 in 1990, the special credit will be increased gradually until it reaches 8 percent.

When to contact Social Security

Before you or your family can get Social Security checks, you must apply for them.

You should get in touch with a Social Security office if:

- You're unable to work because of an illness or injury that is expected to last or has lasted a year or longer
- Someone in your family dies
- You, your wife or husband, or your dependent child suffers permanent kidney failure
- You're 62 or older and plan to retire
- You're within 3 months of age 65, even if you don't plan to retire.

It's important to contact a Social Security office a few months before you reach 65 so you can apply for Medicare, which is available whether or not you retire.

Applying for benefits

If you plan to retire before you reach 65, you should apply for benefits no later than the last day of the month you want

benefits to begin. This is because benefits payable for months before age 65 generally can start no earlier than the month you apply. If you're a widow or widower under age 65, however, you can apply the month after the worker's death and still get a benefit for the month of death.

If you apply for benefits after 65, back payments may be made for up to 6 months before the month you apply for retirement or survivors benefits.

You can apply up to 3 months before the month you want benefits to start. This will help assure that you get your first payment on time.

When you apply for benefits, you should have with you:

- Your Social Security card or a record of your number or, if your claim is on someone else's record, that person's card or number
- Proof of your age, such as a birth certificate or a baptismal certificate made at or shortly after birth
- Your marriage certificate if you're applying for spouse's, widow's, or widower's benefits
- Your children's birth certificates if you're applying for them
- Your Form W-2 for the last 2 years
- The names, addresses, and phone numbers of doctors, hospitals, or clinics that have treated you if you're applying for disability benefits
- Proof that you were being supported by the worker if you're applying for benefits as a dependent parent.

Don't delay applying because you don't have all these proofs. The people in the Social Security office will tell you about other proofs that can be used when you apply.

How Social Security is financed

Social Security is financed through payroll taxes paid by employees, their employers, and self-employed people.

You pay Social Security taxes on your annual wages or self-employment income up to the maximum that counts for Social Security in any one year. In 1985, the maximum amount of earnings that counts for Social Security is \$39,600. The maximum will rise automatically in the future as earnings levels rise.

In 1985, the Social Security tax rate for employees and employers is 7.05 percent. For the self-employed, it is 14.10 percent. But, self-employed people get a tax credit of 2.3 percent in 1985, so the effective rate is 11.8 percent.

If you are an employee, your employer deducts the tax from your wages, pays an equal amount, and reports your earnings to the Social Security Administration each year.

If you work for more than one employer in a year and pay the Social Security tax on earnings over the maximum amount, you can claim a refund of the excess tax on your income tax return for that year. If you work for only one employer who deducts too much in taxes, you should ask the employer for a

refund of the excess tax.

If you work for a church or qualified church-controlled organization that elects exemption from Social Security taxes, you are considered self-employed for Social Security purposes. If the church or organization pays you \$100 or more a year, you must report your earnings and pay the Social Security self-employment tax each year when you file your income tax return.

Unless they have been exempted from Social Security coverage by the Internal Revenue Service, members of the clergy must report their earnings from the ministry as self-employment income.

Questions about Social Security taxes or refunds should be directed to the Internal Revenue Service.

For more information

If you have any questions about Social Security or Medicare, contact your local Social Security office. The people there will be glad to help you. The address and phone number of the office are listed in your telephone book under "Social Security Administration" or "U.S. Government."

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